

- Exports rise 7.7% in June
- Housing starts bounce back in July; 2005 expected to be another banner year
- Hotel operators optimistic about tourism prospects

The Economy

- Exports of BC products increased 7.7% (*seasonally adjusted*) in June, as international shipments of energy (+37.1%), agriculture & fish (+8.9%) and industrial & consumer (+4.0%) products rose substantially. Forest product exports edged up 0.3%, ending a three-month-long decline. US-bound exports advanced 7.3%.

Nationally, the value of exports increased 1.8% between May and June, but shipments to the US were marginally lower (-0.3%). However, shipments to Japan (+9.8%), the European Union (+10.4%), and other OECD countries (+31.4%) increased significantly.

Data Source: Statistics Canada & BC Stats

- *Unadjusted data indicate that exporters in most provinces did not fare well in June.* Canadian exports were down 3.4% from the same month of 2004, with seven provinces posting declines. Newfoundland (-36.6%) saw the biggest drop, as shipments of its main export commodities—agriculture & fish (-27.9%) and energy (-74.1%) products—slumped. BC (+6.3%), together with Alberta (+3.3%) and PEI (+24.2%) saw increased exports in June.

Data Source: Statistics Canada

- Housing starts in the province continued to seesaw in July, increasing 16.1% (*seasonally adjusted*) after posting a similar decline (-13.4%) in June. Canadian starts were flat (+0.4%), as July was a relatively slow month for builders in many parts of the country. Starts were down in Ontario (-8.8%), most of Atlantic Canada, and Saskatchewan (-32.6%). Nova Scotia (+20.0%), Manitoba (+17.6%) and BC were the only provinces where the number of housing starts increased significantly in July.

Data Source: CMHC

- CMHC expects 2005 to be another banner

year for housing starts in the province. Total starts are forecast to reach 33,600 units (+2.1%) in 2005, with multiple units (+4.9%) providing the impetus for growth. BC is expected to lead the nation in renovation activity this year, with spending forecast to increase 15.0%. The level of resale activity is expected to climb 1.7% to a new record of 98,000 units, with an average price of \$319,000 (+10.3%).

Nationally, starts are forecast to drop off to 218,900 (-6.2%) from a peak of 233,431 in 2004. Resale activity is expected to edge down (-1.0%) to 455,900 units, with resale prices growing a robust 9.0% to an average of \$246,700. BC (\$319,000) will continue to have the highest housing prices in the country. Ontario (\$264,000) and Alberta (\$215,000) are the only other provinces where the average residential resale price is expected to exceed \$200,000.

Data Source: CMHC Housing Market Outlook

- The value of building permits issued by BC municipalities rose 11.7% (*seasonally adjusted*) in June, ending a two-month-long downturn. The increase was largely due to planned activity in the non-residential sector (+28.5%), but residential permits were also up (+2.9%) slightly. Permits for industrial buildings more than doubled (+123.5%) in June, with smaller increases in the value of permits issued for commercial (+12.2%) and institutional & government (+34.8%) projects.

Although permits were up in June, the increase was localized in the Vancouver area, where permits jumped 32.7%. Victoria (-31.2%) and Abbotsford (-23.5%) posted significant declines, as did the rest of the province. Vancouver accounted for more than sixty percent of the total value of building permits issued in June.

Did you know...

19% of British Columbians say they keep their bills in random piles around the house...10% store them in a junk drawer (Source: Ipsos Reid)

Canadian permits edged up 1.5%, as slow-downs in Ontario (-1.2%), Alberta (-5.8%), and three other provinces offset strong growth in other parts of the country. *Data Source: Statistics Canada*

- **During the first six months of 2005, the (unadjusted) value of building permits issued in the province increased 17.5%.** Permits were up in every region of BC, with the biggest increases seen in Kootenay (+72.4%), North Coast (+58.3%) and Thompson/Okanagan (+55.8%). Permits for construction projects in Cariboo (+46.6%), Nechako (+45.4%) and Northeast (+32.5%) were also significantly higher than in the same period of 2004. Vancouver Island/Coast (+25.7%) and Mainland/Southwest (+6.7%) posted solid, but slower, growth. *Data Source: Statistics Canada & BC Stats*

- **The cost of new housing in BC's two biggest cities continued to climb in June.** The new housing price index in Victoria was 6.7% higher than in June 2004, and prices in Vancouver rose 4.9%. In Victoria, land prices were up 11.5% from June 2004. Land prices (+6.3%) were also a big factor in Vancouver's increase.

Among the cities surveyed, Winnipeg (+6.9%) posted the strongest year-over-year increase in new housing prices, followed by St. Catharines-Niagara and Victoria (both at +6.7%). The national average was 4.7%. *Data Source: Statistics Canada*

Second Quarter in Review

- **Exports of BC products increased 3.1% (seasonally adjusted) in the second quarter.** Shipments to the US edged up marginally (+0.2%), but exports to other destinations were substantially higher (+8.5%) than in the first quarter. Energy products (+16.7%) played a big role in BC's strong export growth, but shipments of forest products slumped (-2.1%).

Data Source: Statistics Canada & BC Stats

- **The value of permits issued for building projects in the province continued to climb in the second quarter, rising (+8.7%, seasonally adjusted) for the third straight quarter.** Permits for both residential (+7.6%) and non-residential (+10.8%) projects increased. Planned spending on commercial buildings dropped (-5.4%) be-

low the second-quarter level, but remained at a near-record high. *Data Source: Statistics Canada*

Smoking

- **An estimated 5.1 million Canadians, or 20% of the population aged 15 and older, are daily or occasional smokers.** Men (22%) are more likely to smoke than women (17%). The incidence of smoking among young women (aged 20 to 24) fell to 25% (from 30% in 2003), but the smoking rate for men in this age group was unchanged at 31%. Eighteen percent of teens (15 to 19) were smokers.

British Columbia has the lowest smoking rate in the country (15%). Rates ranged between 19% and 24% in the rest of the country. The average smoker consumes about 15 cigarettes a day. *Data Source: SC, The Daily*

Tourism

- **Canadian hotel operators surveyed in July were relatively optimistic about their prospects for the peak summer months.** Nearly a third (32%) expect occupancy rates to rise, while 23% are anticipating declines. Thirty-nine percent of hoteliers expect to see an increase in room rates between July and September, more than double the 18% who think they will drop. Opinions are evenly divided between those expecting an increase (22%) and those anticipating a decline (21%) in corporate and commercial travel. However, most (57%) hoteliers expect to see no change.

While 32% did not expect to encounter any difficulties in the third quarter, the obstacles most frequently cited by those who had concerns were excess room supply (26%), a shortage of skilled (25%) or unskilled (21%) labour, and general economic conditions (19%). Sixteen percent said a lack of attractions or complementary facilities in the vicinity was a concern, while 11% were expecting to experience abnormal weather or natural disasters. A similar percentage felt that Canada's reputation as a desired tourist destination was a likely business impediment. *Data Source: Statistics Canada*

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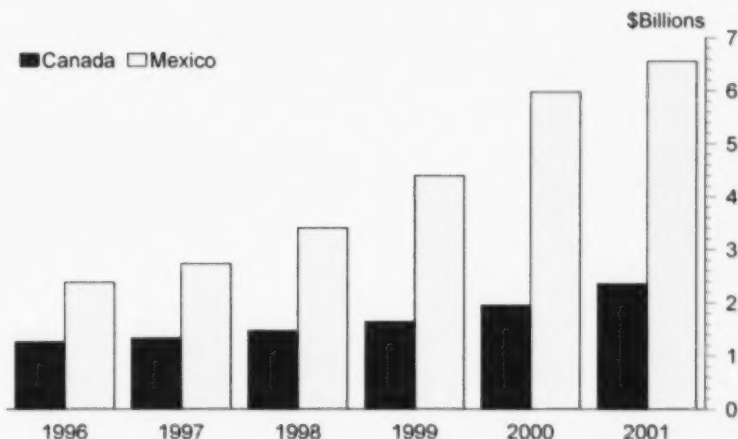
Comparative Trade Numbers Don't Add Up

Theoretically, statistics regarding merchandise exports from Canada to another country should be identical to the data from the destination country on imports from Canada; however, merchandise trade reconciliation studies performed by Statistics Canada and its foreign counterparts have discovered significant differences. In every case it appears that the reported value of Canadian exports to countries outside the United States has been substantially underestimated.

Merchandise trade reconciliations show that export figures to countries outside the US are consistently underestimated

There are a few different reasons why there are variations in export and import statistics between two countries, including legitimate conceptual differences in how trade is measured (e.g., whether or not transportation and insurance costs are included in the value of the good – that is, whether it is valued on an FOB [free on board] or CIF [cost, insurance and freight] basis). Issues around timing and exchange rate valuations can also play a role in statistical variations, but more serious problems, such as under coverage and misallocation errors are perhaps the largest sources of difference in trade statistics.

Mexico reports significantly more imports from Canada than are recorded in Canadian export data

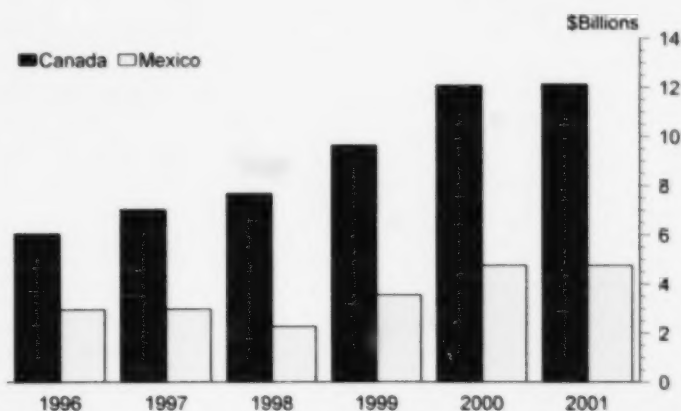


Canadian exports to Mexico were \$4.2 billion higher than recorded in Canadian customs-based data

The reconciliation between Canadian and Mexican trade statistics demonstrates that the magnitude of the differences can be substantial. In 2001, according to Canadian export figures, Canada shipped approximately \$2.4 billion worth of goods to Mexico, but according to Mexican trade data, there were \$6.6 billion worth of imports from Canada, a difference of \$4.2 billion.¹

There was an even larger variation between published Canadian data on imports from Mexico and Mexican figures on exports to Canada. In 2001, Canada reported \$12.1 billion in imports from Mexico, but that country reported only \$4.8 billion in exports to Canada, a difference of almost \$7.4 billion.

Mexico has the same problem with its export data, as recorded Canadian imports are far higher than Mexican data indicate



Canadian import data show that Mexican exports to Canada were \$7.4 billion higher than indicated by Mexican customs-based data

In general, import data are more accurate than export figures. This is because there is more incentive to make sure records on imports are accurate and complete, as they are used to administer tariffs and ensure compliance with trade agreements. There is less concern over the accuracy of export documents and, therefore, countries that use customs-based data to calculate exports will likely underestimate their value.

In Canada and the United States there is an additional problem for export data. The two countries have an agreement to exchange import statistics, such that Canada uses American import data to measure its exports to the United States and vice versa. While this should make the

The two largest trade errors are country misallocation and under coverage

¹ Note that the figures quoted here are taken directly from the Statistics Canada reports on merchandise trade reconciliation and may differ slightly from current figures published by Statistics Canada due to subsequent revisions. The data has not been revised as a result of the reconciliation studies as the estimates of misallocation and under coverage are not robust enough to allow for such revisions.

export figures for both countries more reliable, it has also resulted in an unintended consequence that affects the quality of data on exports to other countries. As a result of the data exchange agreement, it is no longer necessary for an exporter in Canada to file an export document if the goods are destined for consumption in the United States. This has the potential to inflate the instances of the two largest trade data errors: country misallocation and under coverage.

Misallocation occurs when exports destined for one country are inadvertently attributed to another. For example, this can occur if the goods are landed and declared for consumption in the United States, and then later re-exported to Mexico. The Mexican trade statistics will accurately reflect the import from Canada, but Canada's export statistics will overestimate exports to the United States and underestimate exports to Mexico. The United States data will overstate imports from Canada and exports to Mexico.

The under coverage problem is worse still, because it results in an underestimate of total exports. This happens when the exporter neglects to report shipments of merchandise to a non-US destination. The Canada-US exchange agreement offers a further complication of this issue as goods that are travelling in-bond through the United States to another country may not be reported. Since these goods are not slated for consumption in the United States, they will never be recorded in American import statistics and if an export document was not filed, they will also not be reported in Canadian export statistics; therefore, Canadian export data will be understated.

Statistics Canada estimates that approximately two-thirds of the difference between Mexican import data and Canadian export figures in 2001 was due to country misallocation, with most of the misallocated exports attributed to the United States (91%). The remainder of the variation in trade figures was due to a variety of factors, but it is likely that under coverage is the largest component of these.

Two-thirds of the error in published Canadian exports to Mexico in 2001 was due to country misallocation

The discrepancy between Canadian export statistics and Mexican import statistics has expanded over time, from virtually no difference prior to 1990 to the \$4.2 billion recorded in 2001. The data exchange agreement is probably one of the main reasons for the growing disparity, but the Canada-US Free Trade Agreement (CUFTA) probably also played a part. Prior to CUFTA, exporters may have had to face tariffs for shipments to the United States and, therefore, it was in their best interest to file accurate export documents if the goods were destined for another country and were only being transhipped through the United States. After CUFTA was signed, there were no tariffs to be concerned with and the paperwork was easier if the goods were being exported to the United States, rather than if they were just being trans-

The Canada-US free trade and data exchange agreements have likely exacerbated problems with misallocation and under coverage of exports to other

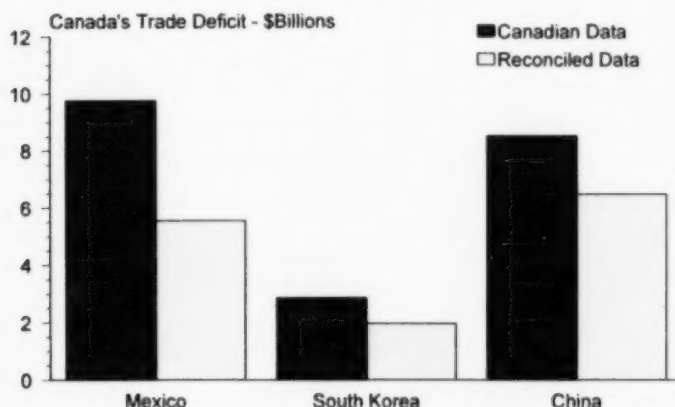
ported through the country to another destination. The combination of less paperwork and no financial penalty in the form of tariffs is likely the main reason for the growing divide in trade statistics between Canada and other countries, particularly Mexico.

Mexico is not the only country for which this is a problem, although the disparity between Canadian and Mexican data is the largest of the countries Statistics Canada has studied. However, Statistics Canada has done merchandise trade reconciliation studies of the European Union, China and South Korea as well and, in each case, Canada's exports to those regions were significantly underestimated and their exports to Canada suffered the same problem.

Canadian exports to the European Union between 1994 and 1997 were understated by around 20% according to the reconciliation. The reconciled trade deficit with the European Union was between two and three billion dollars less than the published numbers indicated.

The story is similar with Mexico, South Korea and China - in each case, Canada's trade deficit is less than the Canadian data suggest. The reconciled data also improves the trade balance for each of these three countries in their own statistics, in some cases flipping it from a deficit into a surplus. Both Mexico and China reported trade deficits with Canada of over \$1 billion in 2001, but after reconciliation they both had surpluses in excess of \$5 billion. Mexico moved from a deficit of \$1.8 billion to a surplus of \$5.6 billion, while China saw its numbers improve from a \$1.1 billion deficit to a \$6.5 billion surplus. South Korea saw its surplus increase more than five-fold after the numbers were corrected.

Canada's trade deficit with Mexico, South Korea and China in 2001 was far smaller than customs-based data indicated



Canada's trade deficit with many countries may not be as large as Canadian customs-based trade data indicate

The reconciliation studies demonstrate that Canada's trade with countries outside the United States is more significant than previously thought. Statistics Canada estimates that Mexico's share of Canadian exports in 2001 should be 1.69% rather than the published figure of 0.71%. China's share should be 1.34% instead of 1.05% and South Korea's reconciled share is 0.63%, up from 0.53%.

Although under coverage is a considerable part of the error in Canada's export figures, it is country misallocation that is the largest portion of the difference between Canadian export figures and import data from other countries. The United States is attributed the bulk of the misallocated exports, which implies that Canada's exports to the United States are overstated. However, even if the share of exports to the United States is overestimated by as much as five percentage points, it would still mean that four-fifths of Canada's international merchandise shipments are destined for our neighbours to the south.

Although the results of the reconciliation studies will not be used to correct export data problems, they do provide Statistics Canada with valuable information about the mechanics of trade between Canada and other countries and how export documentation can be improved in order to more accurately record Canada's trade. Identifying the extent of the problem through these reconciliation studies is the first step in improving the data and the next phase that needs to be undertaken is to make improvements to the document filing process.

One step that has already been taken by the Canada Border Services Agency that should help alleviate the problems of misallocation and under coverage was to implement the Administrative Monetary Penalty System (AMPS). This system was put in place in stages between December 2001 and October 2002 and provides for fines ranging anywhere from \$100 to \$6,000 for providing inaccurate information on export documentation.

The United States has also upped the ante with respect to misreporting. Whereas in the past there was a lot of leeway given to exporters, security concerns and anti-terrorism efforts have made the customs agents more vigilant and new legislation has boosted fines up to a maximum of \$10,000 or as much as five years in prison for failing to file export documents or filing with false or misleading information.


Stronger fines and a better understanding of where errors occur should help Statistics Canada improve the accuracy of its trade statistics and give a clearer picture of Canada's trade with the rest of the world outside the United States.

**Share of Canadian Exports:
Published vs. Reconciled Data**

Country	Reconciled	Published
Mexico	1.69%	0.71%
China	1.34%	1.05%
South Korea	0.63%	0.53%

Source: Statistics Canada, *Fifth Annual Report on Canada's State of Trade*

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BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Apr 1/05	
BC	4,232.5	1.2
Canada	32,146.5	0.9
GDP and INCOME		% change on one year ago
(BC - at market prices)	2004	
Gross Domestic Product (GDP) (\$ millions)	156,481	7.5
GDP (\$ 1997 millions)	138,783	3.9
GDP (\$ 1997 per Capita)	33,072	2.8
Personal Disposable Income (\$ 1997 per Capita)	20,002	1.2
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - May	3,603	2.5
Merchandise Exports - May	2,630	-0.8
Retail Sales - May	4,123	-0.3
CONSUMER PRICE INDEX		12-month avg % change
(all items - 1992=100)	Jun '05	
BC	125.4	2.1
Canada	127.2	2.1
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)	Jul '05	
Labour Force - BC	2,266	0.4
Employed - BC	2,125	0.0
Unemployed - BC	140	7.6
	Jun '05	
Unemployment Rate - BC (percent)	6.2	5.8
Unemployment Rate - Canada (percent)	6.8	6.7
INTEREST RATES (percent)		Aug 10/05 Aug 11/04
Prime Business Rate	4.25	3.75
Conventional Mortgages - 1 year	4.90	4.40
- 5 year	5.80	6.30
US/CANADA EXCHANGE RATE		Aug 10/05 Aug 11/04
(avg. noon spot rate) Cdn \$	1.2115	1.3239
US \$ (reciprocal of the closing rate)	0.8262	0.7549
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)	Jul '05	
BC	698.02	2.5
Canada	701.94	3.8

SOURCES:

Population, Gross Domestic Product, Trade, } Statistics
 Prices, Labour Force, Wage Rate } Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

Labour market characteristics of off-reserve Aboriginal population



It is now possible to examine the labour market characteristics of off-reserve Aboriginals. The data, from an expanded sample of Aboriginal peoples in the labour force survey, highlight some defining characteristics that contribute to their experience. In the past, this type of data has been available from the census but was limited to a snapshot taken in mid-May at five year intervals. A full year of sampled monthly data, fully integrated to the labour force survey, will be of great interest to researchers, policy makers and other users.

On-line at
www.bcstats.gov.bc.ca/data/lfs/abor/ap_index.htm

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